



Financial Affairs Committee

July 23, 1999

Meeting Notes

1) Opening Business

The meeting was held at the CVPWA Office in Sacramento and began at 9:30 a.m.

The next Financial Affairs Committee meeting is scheduled for Wednesday, August 25, 1999 and will be held at the ACWA office in Sacramento, 910 "K" Street, Suite 100. The meeting will begin at 9:30 a.m.

2) Reclamation Issues

a) Update on water accounting program (RAIN)

Mike Finnegan, Reclamation, reported that Reclamation is searching for a new contractor to replace the current contractor (PCS). The new contractor would be tasked with completing software implementation and the Federal Financial System (FFS) interface. Consideration will also be given to converting the program from Progress to Oracle. As part of the process, Reclamation will need to move the RAIN internet site from PCS's server to a Reclamation server. Mike did not think this would pose a significant problem. The existing '705' system has been made Y2K compliant and will continue to serve as the contractor accounting system should RAIN not be fully operational by FY 2000.

b) & c) Update on 2000 water rates and Update on 1998 contractor accountings.

Reclamation, reported that the FY 2000 Rates are expected to be released on schedule by October 1, 1999. Budget Services staff are completing their review of the questions submitted by the CVPWA FAC regarding the FY 2000 O&M budget and are preparing a written response. Jim Bjornsen, Reclamation, reported that contractor water delivery schedules used in the rate computation process are complete. Jim also noted that the FY 1998 Plant-In-Service cost allocation and FY 1998 contractor accountings (necessary inputs into the ratesetting process) are well under way. With regard to the FY 1999 contractor accountings, Reclamation is reviewing the questions submitted by the FAC and is preparing a written response. Mike Finnegan, Reclamation, commented that Reclamation is strongly committed to getting the rates out on schedule this year and that the schedule takes priority over outstanding contractor issues relative to the FY 1998 accountings.

There was discussion regarding the possible scenarios for handling the allocation of FY 1998 conveyance and conveyance pumping O&M incurred during the period October 1997 through February 1998 prior to the implementation of the SLDMWA and FWUA O&M Self-funding agreements. An analysis was presented comparing the allocation of costs assuming 5-month versus 12-month contractor deliveries. It was decided to run two additional scenarios, one using a 17-month accounting period for the period Oct

1996 through Feb 1998, and the other using 5-year average deliveries. A conference call was scheduled for August 4, 1999 to reach a consensus on this issue.

Subsequent Note: The August 4, 1999 conference call resulted in the decision to use 5-year average deliveries as the basis for allocating the FY 1998 conveyance and conveyance pumping O&M expense incurred prior to the implementation of the SLDMWA and FWUA Self-funding agreements for the period 10/97 through 2/98. This preference was communicated to Reclamation that same date.

d) Status of IG (M&I Project Repayment Status) and GAO (Reclamation Wide O&M Costs) reviews

Mike Finnegan, Reclamation, reported that both reviews are progressing. The IG is reviewing the status of M&I repayment of Reclamation project costs. Mike commented that, as typically occurs, the CVP is receiving significant attention due to the size and nature of the project. Mike also commented that the IG was reviewing the M&I interim ratesetting policy.

The GAO is performing a survey of Reclamation wide O&M costs. Mike commented that the survey is part of Phase II of the "Review of Sources and Uses of Funds" project sponsored by Representative Doolittle. The review is still in the scoping stages and, similar to the IG review, places a heavy emphasis on the CVP. Mike commented that he expects that the GAO will be contacting various Authority and contractor representatives as part of the review process probably during the August timeframe.

e) Update on FY 2002 Budget Process

Reclamation reported that the March 1999 budget orientation workshop was held and that Reclamation has been receiving comments back from the contractors regarding the FY 2002 O&M budget priorities. Ron Jacobsma, FWUA, noted that there have been some requests for additional information by the Authorities/contractors that have not as yet been met. Mike Finnegan, Reclamation, stated that he would look into the delays.

The Area Office budget workshops are scheduled for September 1999 and will cover the FY 2002 and PY budgets not under embargo. The first Area Office budget workshop is scheduled for September 8, 1999 at the Fresno Area Office. Dates for other Area Office workshops will be announced in the near future. There will be a Regional Office budget workshop scheduled in October 1999.

3) Update on Trinity PUD In-lieu Property Tax Issue

Discussion was postponed until the August FAC meeting.

4) CVP Cost Reallocation Issues

Brice Bledsoe, CVPWA, provided an overview of refinements made by Reclamation to the GAO-proposed methodology presented at the July 15th public workshop (see attached handout).

There was discussion on three draft cost allocation strategies developed by the joint water and power CVP cost allocation subcommittee. It was noted that the draft strategies had been presented to the three Authorities and other policy level managers within the CVP water and power contractor community with the intent of soliciting policy direction regarding the best way to pursue the water and power contractor cost allocation issues.

Subsequent Note: A conference call was held on July 29th during which the cost allocation subcommittee received the policy level direction needed to begin developing a cost allocation proposal for submission to Reclamation.

5) Warren Act Reform Legislation

Ron Jacobsma, FWUA, reported that there will be an NRDA meeting next week on July 28, 1999. At the meeting Ron will make a presentation on behalf of the FFA updating the attendees on the purpose and status of the draft legislation. Ron commented that the FFA is looking for a legal sponsor for the bill. He also stated that he was concerned that the attempt to pass the legislation may be in danger due to a large number of riders that have been attached since drafting began. If the FFA attempt fails, Ron suggested that we may want to approach the South East Water Conservancy to assist us in passing a stripped down version of the bill that would address our most important concern, namely, restoring the crediting of Warren Act revenues toward project repayment.

6) Update on Reclamation's Post 2004 PUE Operations-Options Analysis Workgroup

Chase Hurley, Panoche WD, reported on the status of the workgroup. Chase noted that there are currently three options being considered – new integration contract with essentially the same terms we currently have with PG&E with a new third party, pump load following where generation schedules would be changed to coincide with pumping requirements to minimize the need to purchase power for PUE needs, and max peaking generation where generation would be shaped to maximize the benefits of on-peak power to the preference users (all PUE energy needs would be met by purchases). The next workshop meeting is scheduled for August 11, 1999 to begin developing matrices for each option detailing the implementation requirements. Once the matrices have been completed, the workgroup will develop evaluation criteria to be used in the selection of a preferred option. The preferred option will be presented to Reclamation for consideration (deadline for submission is October 1999). Once Reclamation makes a decision on the best approach for meeting PUE needs post 2004, they will communicate their decision to Western. This information will then be used by Western in developing their post 2004 marketing plan.

7) Other Issues

Reclamation's Proposed Solution for Accounting for the 800,000 acre-feet of water under CVPIA Section 3406(b)(2) – Kathy Kitchell, City of Roseville, noted that Reclamation had recently released their proposed solution for accounting for the 800k of (b)(2) water to comply with the Judge Wanger court decision. Kathy inquired whether the FAC planned to submit written comments on the proposal. Ron Jacobsma, FWUA, stated that for the most part this was a legal issue and that the FAC did not intend at this time to submit written comments. It was noted, however, that the FAC should follow the process as the resulting solution may prove beneficial to addressing the environmental issues surrounding the CVP cost reallocation study (i.e., it may provide a tool for establishing environmental enhancement and mitigation flows for purposes of allocating water supply costs). For those interested in reading the proposed solution, it can be downloaded from the Mid-Pacific Region's web site at www.mp.usbr.gov.

There being no further business the meeting was adjourned.